COVID-19: Cargo movement update[1]

Date: 9 July 2021

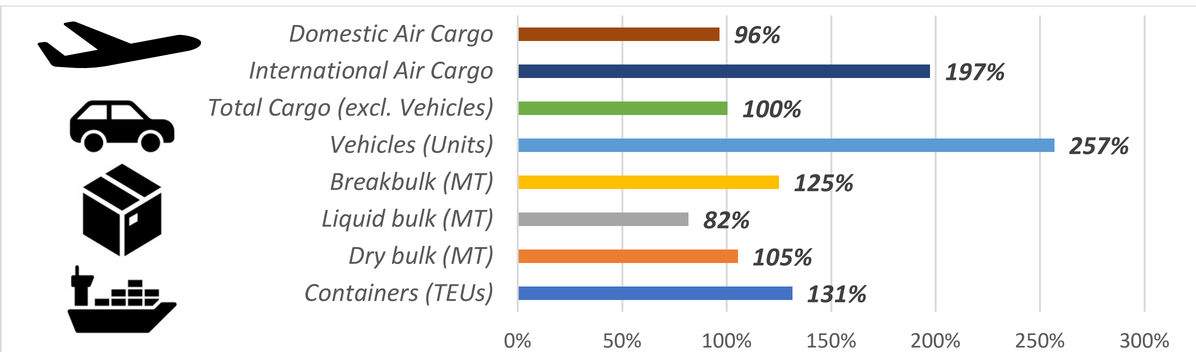
Weekly Snapshot

Table 1 – Port volumes and air cargo flows, week on week

Flows	Current[2]			Previous[3]			Growth
	Import	Export	Total	Import	Export	Total	
Port Volumes (TEUs)	27 283	34 469	**61 752**	29 355	35 271	**64 626**	**↓4%**
Air Cargo (tons)	4 662	2 617	**7 279**	4 944	2 837	**7 781**	**↓6%**

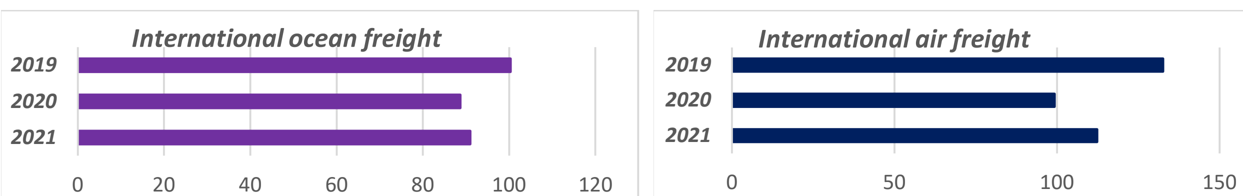
Monthly Snapshot

Figure 1 – Monthly[4] cargo flows, year on year



Year-to-date Tracker

Figure 2 – International year-to-date flows 2019-2021[5]: ocean, y/y (metric tonnes) & air freight, y/y (kg millions)



Key Notes

- An average of **~8 822 TEUs** per day was handled last week, **↓4%** from the previous week.
- With **51 407 units** handled in June, the Durban Car Terminal broke a monthly volume handling record.
- Cross-border queue (**~5,1 hrs**) and transit (**~13,3 hrs**) times cost **R301 million** (**↑3%**) this week.
- Weekly domestic air cargo is **↓7%** this week, as operational issues persist (see *below*).
- Predictably, the "*WCI*" continues its historic rise, with freight rates **↑4,7%** to **$8 796** per 40-ft this week.
- Yearly liner schedule reliability is **↓36%**, as the average delay for late vessel arrivals stands at **5,86 days**.
- IATA notes that international air cargo is trending **↑9,4%** above pre-pandemic levels.

[1] This update contains a combined overview of air, sea, and road freight to and from South Africa in the last week. This report is the 45th update.
[2] '*Current*' means the last 7 days' (a week's) worth of available data.
[3] '*Previous*' means the preceding 8-14 days' (a week's) worth of available data.
[4] '*Monthly*' means the last full month's worth of available data compared to the same month in 2020. For air freight, June 2021, and June 2020. For the other metrics, May 2021, and May 2020.
[5] For ocean, total Jan-May cargo in metric tonnes, as reported by Transnet is used, while for air, Jan-May cargo to and from ORTIA is used.

Executive Summary

This update – *the 46th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Now, for the eighth consecutive week, there has been a notable increase in newly reported COVID-19 infections in South Africa, averaging approximately **19 956** infections per day this week. Fortunately, the growth is less pronounced than last week, which offers some hope that this growth trajectory will level off sooner rather than later (**↑18%** from last week's average of **16 916**). Nevertheless, the new cases recorded per 100 thousand people remains high, at **33,3** across the previous seven days. The number of cases recorded in the country now totals **2,135 million**[6], with a death toll of **63 499** (up by **2 470**), another alarming increase from last week. The total number of active cases remains an even more disturbing figure, with active cases now exceeding **208 000** as the Delta variant continues to spread at a rapid speed.

In absolute terms, South Africa has moved up to **18th** place globally, as we have overtaken Peru in the last seven days. Collectively, more than **186 million** cases have now been recorded worldwide, with a total of **4,01 million** people losing their lives to the virus. In addition, a total of **3,4 billion** vaccine doses have now been administered worldwide[7]. At the same time, South Africa continues with the pedestrian pace of its rollout program, currently standing at some **~3,43 million** vaccine doses. Fortunately, the rate at which vaccines have been distributed has picked up in the last couple of weeks, but it is still nowhere the target of nearly **300 000 per day**.

Nevertheless, the next age group (35-49 years) can start registering from 15 July. Unfortunately, it has become evident that the pandemic will continue to upend the lives of millions of South Africans for the foreseeable future. A return to everyday life is only expected by 2022, and even that will require accelerated growth in vaccine administration and careful adherence to protocols.

Concerning the experience at the coal face, South Africa's ports experienced a rather typical week, as intermittent equipment breakdowns and weather disruptions resulting in vessels ranging were the order of the day. Nonetheless, container numbers projected for the month of July are positive, as the industry struggles to claw back the losses experienced due to a slow start to the year. Unfortunately, increasing numbers of COVID infections have disrupted gangs on the landside and crew on the waterside. As a result, additional anti-COVID-19 measures were implemented by Transnet during the week. It was concerning to see a rise in stack occupancy levels, notably in Cape Town, indicating potential blockages and slow working. This situation reinforces the constant theme that efficiency must be maintained at optimum levels in our container terminals. We cannot afford a repetition of the congestions experienced around the world.

Internationally, the global container industry continues to grapple with port congestion, equipment imbalances, and unreliable liner schedules resulting in berth delays and blank sailings. Despite this, and as summarised this week, the demand in container shipping is far from saturated, as the financial bonanza for the leading ocean carriers was a record-breaking **$16,2 billion** in the first quarter of this year. Additionally, there are few signs of any change in the second quarter, with projections showing that 2021 will likely go down as the most profitable in the sector's history. Furthermore, we can expect that the unprecedented surge in freight rates will likely continue for much of the year. Consequently, the major carriers are desperately trying to increase capacity to take full advantage of this, with at least **1 million TEU** of capacity added to their box fleets and another **1,5 million TEUs** on the immediate order book. Other developments of note include the resolution of the Ever Given stuck in the Suez Canal and an onboard fire in Jebel Ali.

In the air cargo industry, the collective voice from the private sector has been expressing weariness and anger at management's failure to resolve ongoing issues at ORTIA's cargo precinct. This feeling revolves around a marked lack of coherence at an operational level and the dragged-out resolution of several problems. These revolve mainly around cargo security matters, inefficiencies with the SOPs, and the slow implementation of the

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[6] Johns Hopkins, Coronavirus Resource Centre. Coronavirus JJHU.
[7] Our World in Data, Coronavirus (COVID-19) Vaccinations. Our World in Data

IVS system. The air cargo industry is pushing for the swift resolution of these matters since the knock-on effects lead to delays, with additional costs for cargo owners and ultimately the South African consumer. So while the air cargo industry has consistently been a shining light in an otherwise dim sky, we need to ensure that standards in this area are not allowed to slip.

On the international aviation front, the air cargo sector continues its impressive run. IATA reported this week that air cargo has trended higher and outperformed the other sectors in global trade for the month of May. Furthermore, supply chain conditions and economic activity remain supportive of air cargo, helping it post a fifth consecutive month of overperformance compared with all other global goods trade indices. Despite this, there are signs of stabilisation in growth in manufacturing output in some key economies, as consumption shifts from goods to services. Nevertheless, air cargo capacity continues to improve slowly despite the lack of international passenger traffic. Having said that, the market remains tight, with no apparent decline in cargo load factors. Fortunately, international and domestic travel demand showed marginal m/m improvements in May 2021, which might add some cargo capacity in the coming months.

In conclusion, the cargo industry is doing its best to balance the books amidst a plethora of cross-cutting issues in our social, economic, and political milieu. These include the pandemic, the three-fold problems of low growth, unemployment, and inequality, not to mention the findings of the Zondo commission and the imprisonment of former President Jacob Zuma. Fortunately, the outlook is not all that bad, given the cyclical economic recovery in South Africa. Additional green shoots also include the reforms dealing with energy supply and the positive announcements around SAA and Transnet, which may have brought the South African economy to an important positive tipping point in its reform agenda[8]. Collectively, the industry is hopeful of a continuation of some of these short-term gains.

[8] Parsons, R. 05/07/2021. Policy Uncertainty Index (PUI) Q2.

Contents

1. Ports Update

This section provides an overview of the flow of containerised cargo through South Africa's commercial ports.

a. Container flow overview

The following two tables indicate the container flows reported for the last seven days and projections for the next seven days.

Table 2 – Container Ports – Weekly flow reported for 3 to 9 July[9]

7-day flow forecast (03/06/2021 – 09/07/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	6 794	6 550
DURBAN CONTAINER TERMINAL PIER 2:	11 201	16 540
CAPE TOWN CONTAINER TERMINAL:	6 861	8 919
NGQURA CONTAINER TERMINAL:	2 365	1 894
GQEBERHA CONTAINER TERMINAL:	62	566
TOTAL:	**27 283**	**34 469**

Source: Transnet, 2021. Updated 09/07/2021.

Table 3 – Container Ports – Weekly flow forecasted for 10 to 16 July[10]

7-day flow forecast (10/06/2021 – 16/07/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	5 233	6 390
DURBAN CONTAINER TERMINAL PIER 2:	12 384	15 226
CAPE TOWN CONTAINER TERMINAL:	9 972	10 100
NGQURA CONTAINER TERMINAL:	4 439	5 771
GQEBERHA CONTAINER TERMINAL:	1 983	2 508
TOTAL:	**34 011**	**39 995**

Source: Transnet, 2021. Updated 09/07/2021.

An average of **~8 822 TEUs** (**↓4%**) was handled per day for the last week (3 – 9 July, Table 2), with an encouraging increased average of around **~10 572 TEUs** (**↑20%**) expected to be handled next week (10 – 16 July, Table 3). This change compares with the same week in July 2020 at ***week 15*** of the initial lockdown, when the daily average came in at **~12 994 TEUs**. However, there is still much ground to be made up.

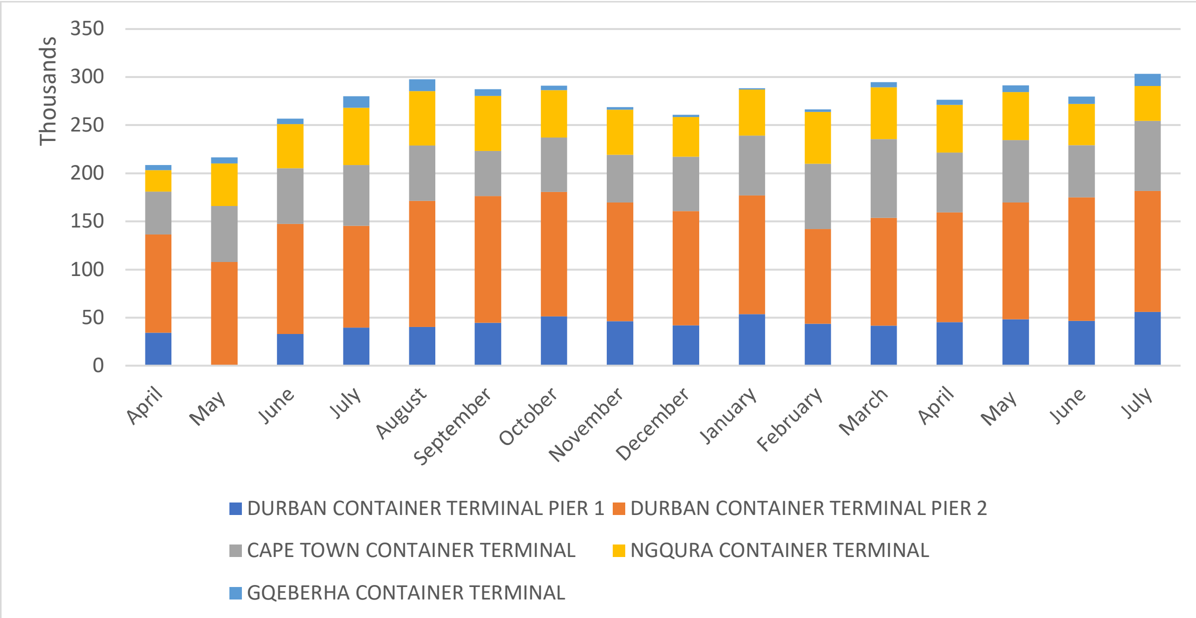
The main talking points around our commercial ports revolved around intermittent equipment breakdowns in Durban and shortages of pilot boats in Cape Town. Further disruptions were caused by adverse weather and water conditions resulting in vessels ranging at both Ngqura and Cape Town. Additional issues include the ongoing disruptions caused by the pandemic, which has resulted in the introduction of new COVID-19 control measures. On a more positive note, the Durban Car Terminal has broken another volume handling record in the month of June 2021, with exports and transhipments playing a pivotal role in the latest run (see summary *below*).

[9] It remains important to note that a fair percentage (approximately 34%, according to the most recent TNPA figures for May) of containers are neither to be imported nor exported, but rather consist of empties. Due to the ongoing container imbalances, this proportion is fluctuating more than usual, and has increased since December 2020.

[10] As noted in *footnote* 9

The following figure displays the rolling *monthly* average flow of total containerised cargo movement for our commercial ports since the start of the nationwide lockdown, with forecasts for the month of July once again looking promising after the previous three months have been very disappointing.

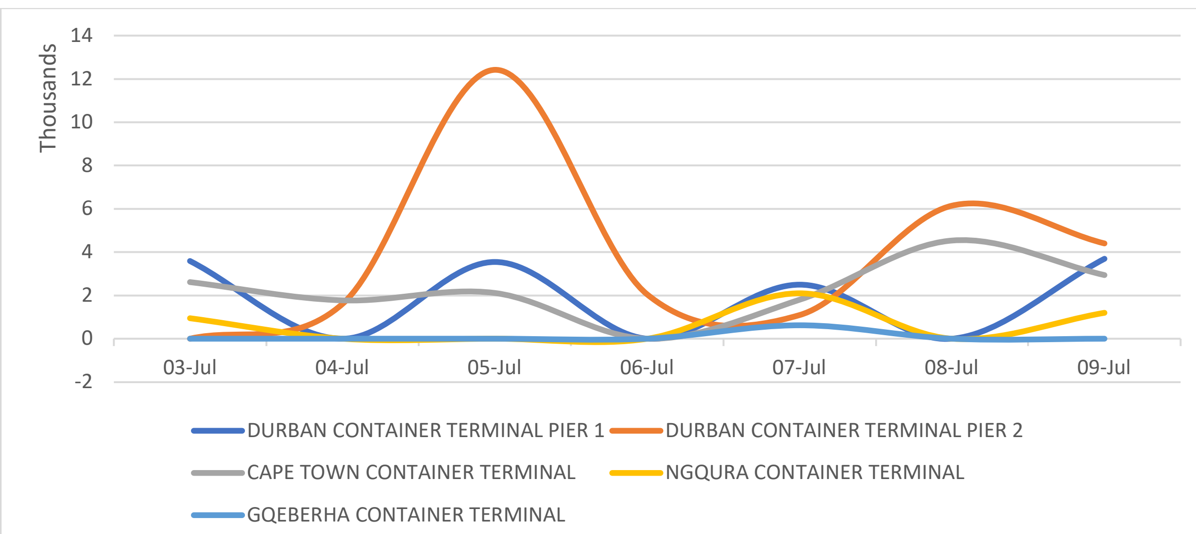
Figure 3 – Monthly flow reported for total cargo movement (TEUs: April 2020 to present; month on month)



Source: Calculated using data from [Transnet](), 2021. Updated 09/07/2021.

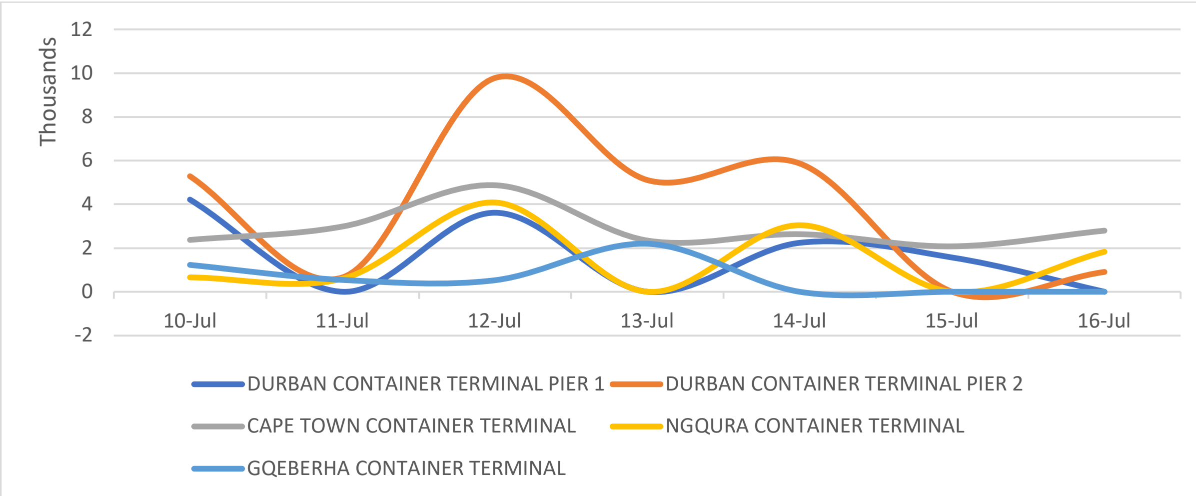
The figures below show the weekly container flows for the previous seven days and projections for the next seven days.

Figure 4 – 7-day flow reported for total cargo movement (3 to 9 July; per port; day on day)



Source: Calculated using data from [Transnet](), 2021. Updated 09/07/2021.

Figure 5 – 7-day flow reported for total cargo movement (10 to 16 July; per port; day on day)



Source: Calculated using data from [Transnet](), 2021. Updated 09/07/2021.

b. Summary of port operations

The following sections provide a more in-depth overview of the operational performance of our commercial ports over the last seven days.

i. Weather delays

Strong northerly winds reaching over 40 km/h caused serious waterside difficulties at Cape Town port early this week. Conditions improved somewhat as the week went on but worsened again towards the end of the week, causing vessel ranging.

Some slightly stronger winds swept in over Durban on Sunday and quickly subsided during the week. However, stronger southerly winds were experienced on Friday morning.

Severe windy conditions were also halting waterside operations this week at NCT and PECT. Strong WSW gale-force winds reaching over 53 km/h were experienced on Saturday. Fortunately, these winds dropped as the week progressed. However, similarly strong WSW winds picked up again on Thursday afternoon, causing significant delays and ranging of vessels.

ii. Cape Town

Earlier in the week, Transnet offered apologies for the inconvenience experienced over the past four days with the unavailability of the pilot boat. Fortunately, the vessel was back in service by the close of business on Tuesday, but nine vessels had experienced greater or lesser degrees of delay by then. In addition, TNPA did make all its other craft (tugs, workboats, and launch) available to service the industry.

Once again, reefer stack occupancy at CTCT was higher than usual, averaging around 75%, where anything over 65% can be problematic. Stack occupancy hovered approximately 25% for general containers at MPT and 50% for reefers this week. In addition, CTCT experienced waterside difficulties where vessels ranged due to high swells, limiting terminal operations over a day for some ships. For example, the "Santa Cruz", berthed at CTCT, required tug assistance to remain on quay due to ranging.

iii. Durban

Stack occupancy drifted around an average of 44% at Pier 1 and 45% for reefer containers. Pier 2, on the other hand, was reaching almost total capacity averaging at an occupancy of around 69% for general containers and 72% for reefers. Here again, these figures are dangerously high. Port operations at DCT were affected similarly due to intermittent equipment breakdowns, more specifically that of straddle carriers and cranes. On Thursday, a letter from the Harbour Master was sent out to port users regarding mandatory Covid-19 testing to be carried out on all vessels at anchor in any of South Africa's ports. This situation is causing great concern, as vessels need to quarantine while export containers are stacked and packed at the terminal. SAASOA confirmed that Ship-med is testing in Durban, with Flo-path and the KZN mobile medical clinic also assisting.

Furthermore, numerous teams in Cape Town and other ports also provide Antigen and PCR COVID testing, with even paramedics undertaking some testing. On Thursday, the introduction of new COVID-19 control measures was circulated by Transnet's Harbour Master office. One of the most worrying aspects of this is that medical personnel will need to be ferried out to vessels at anchorage, which could lead to delays.

On a more positive note, TNPA advised this week that Durban's 9 000m² cruise terminal building was around 90% complete and expected to be commissioned within three months. The R200 million multi-user cruise terminal is set to be up and running by the next summer tourist season. According to the port's general manager, Moshe Motlohi, the cruise industry was the fastest-growing category in the global leisure travel market, hence the decision to build a dedicated cruise terminal.

On Tuesday, motorists had difficulty accessing Port Shepstone and Durban as protestors closed both the N2 and R102, near Hibberdene, on the KZN South Coast. Residents in Hibberdene, Pumula, and Umzumbe were protesting water shortages in the area. According to the SAPS, no casualties or severe damages were reported. On Friday, further reports of disturbances around Durban with stone-throwing and burning of tires affecting main routes and other surrounding areas. However, checks done around the port on Friday confirmed that the port area was not affected. It is believed that the protest action across Durban is linked to the incarceration of former president Jacob Zuma. This situation has now escalated, with over 30 trucks being burned on the N3 and widespread damage throughout the rest of the province.

Lastly, Transnet was pleased to announce that the Durban Car Terminal has broken another volume handling record in the month of June 2021. A total of 51 407 Fully Built Units (FBUs) were shipped through the terminal, with exports and transhipments playing a vital role in the latest run. This amount marks the highest number that the terminal has handled since its inception. With the target set at over 322 555 (FBUs) for the 2021/22 financial year, the Car Terminal is 65% above budget year to date. In December 2018, the terminal first recorded the highest number of 50 169 volume in one month against the budget of 38 479.

iv.Eastern Cape

Stack occupancy at NCT averaged around 50% for general purpose containers and 60% for reefer containers this past week. Stack occupancy at PECT was 53% for general containers and approximately 56% for reefers. Waterside activities during the week, especially at NCT, were quite challenging due to high swells and strong winds, causing vessels like the "Akadimos" to be delayed. The vessel eventually missed its expected berthing at Durban Pier 1. To add to the poor weather, the "Orchid Ace" vessel due at NCT was identified with positive Covid-19 cases and needed to be quarantined, impacting its forthcoming expected arrival at Durban. On the landside operations, NCT reported ten positive COVID-19 cases and three at PECT.

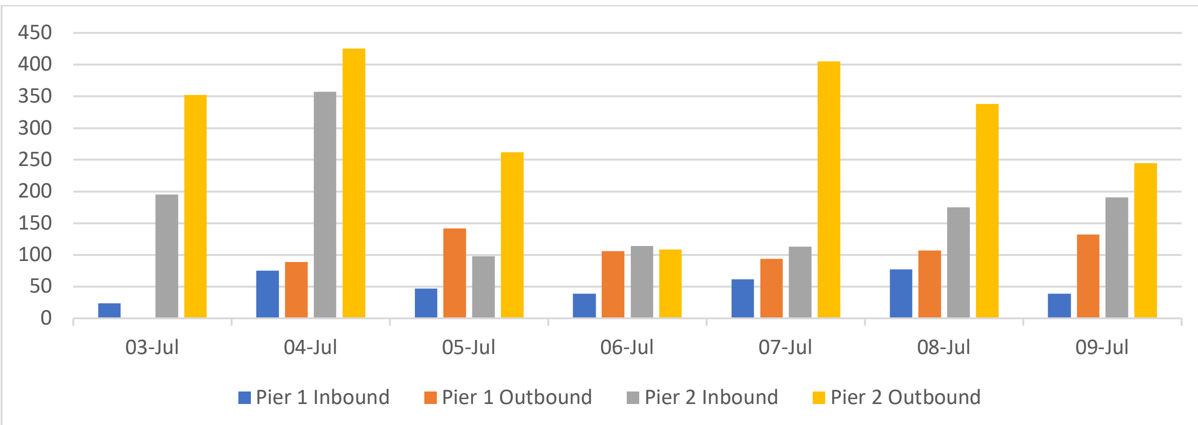
v.Transnet Freight Rail (TFR)

Transnet's coal export line suffered another devastating derailment in the early hours of Saturday morning. A train pulling 200 wagons of coal from Mpumalanga to Richards Bay Coal Terminal derailed and affected 31 wagons, leaving heaps of coal on the ground. According to CEO Sizakele Mzimela, TFR is working closely with the private sector to roll out innovative technologies and strategies to curb the ongoing issues caused by cable theft and vandalism on the railway lines and infrastructure. According to TFR, a multi-billion-rand program to secure railway infrastructure will be announced in two weeks. The industry can only hope that the program brings some much-needed relief, as losses faced by South Africa's largest bulk exporters have been increasing in the face of hyped-up global prices, especially coal. TFR's annual maintenance shutdown is scheduled for Tuesday, July 13, until Monday, 19 July.

On a more positive note, TFR announced that two concurrent workstreams should be completed in the next 15 months, opening the opportunity for private operators to start operating its six key corridors. Hopefully, some progress will be noted in securing the railway's infrastructure against ongoing theft and vandalism by then.

Besides the commentary mentioned above, the following figure illustrates the total rail movement from Durban for the week:

Figure 6 – TFR: Rail handled (Pier 1 and Pier 2)



Source: Calculated using data from Transnet, 2021. Updated 09/07/2021.

This week (3-9 July), rail cargo handled out of Durban averaged 630 containers per day, compared to 649 for the previous week. In total, the rail freight handled this week is a change of **↓3%** from the last week.

vi. General

On Monday, 5 July, Transnet sent out an official notification that they had reached a wage agreement with their labour partners SATAWU (SA Transport Allied Workers Union) and UNTU (United National Transport Union) for the 2021/22 financial year. Thus, with great relief, the parties could find a resolution to avoid any unwanted disruptions at South Africa's ports.

Regarding the energy crisis, the Turkish-led Karpowership project forms part of the Department of Mineral Resources and Energy's strategic plan to end load shedding and address South Africa's economic and energy crisis. In March, the Karpowership was named preferred bidder to supply the lion's share of 2 000 MW, but it first needed to secure environmental permits to moor its power ships in three ports: Ngqura, Saldanha and Richards Bay. Unfortunately, the Turkish-led Karpowership was denied authorization of this application on Wednesday this week due to failing to provide a transparent Environmental Impact Assessment (EIA). According to the department, basic requirements such as public participation and assessing the potential environmental and socio-economic impacts could not be adequately evaluated. In addition, Ezemvelo KZN Wildlife, the government body responsible for conservation and biodiversity in KwaZulu-Natal, raised its concerns around the possible effect underwater noise could have on endangered species and small commercial fisheries. Even though Karpowership did not respond to the concerns raised, they advised that they plan to appeal the department's decision.

2. Air Update

a. International air cargo

The following table shows the in- and outbound air cargo flows to and from ORTIA for the week starting 28 June. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in *June 2020* averaged **~374 979 kg** per day[11]. For 2019, this average was **~906 817 kg** per day, which is probably a more meaningful comparison.

Table 4 – International inbound and outbound cargo from OR Tambo

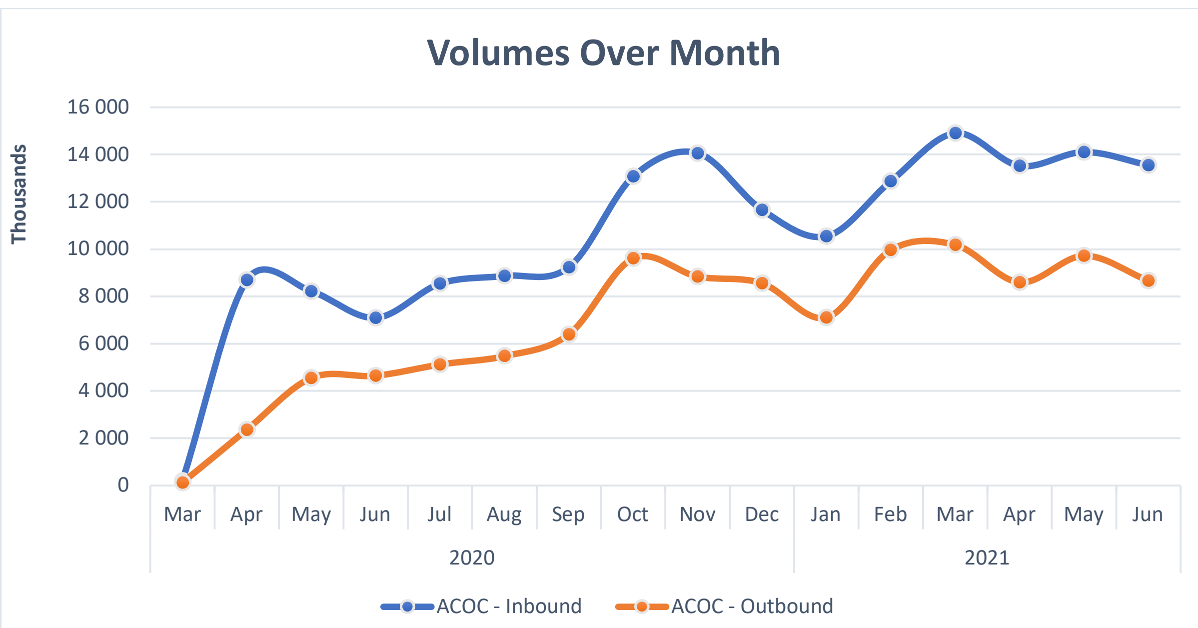
Flows	28-Jun	29-Jun	30-Jun	01-Jul	02-Jul	03-Jul	04-Jul
Volume inbound	532 133	270 951	348 455	427 748	401 496	323 650	958 953
Volume outbound	120 264	241 065	249 295	175 286	225 773	254 809	565 187
Total handled per day	**652 397**	**512 016**	**597 750**	**603 034**	**627 269**	**578 459**	**1 524 140**

Courtesy of ACOC. Updated: 05/07/2021.

The daily average volume of air cargo handled at ORTIA over the seven days starting 28 June amounted to **466 198 kg** inbound and **261 668 kg** outbound. The total, therefore, amounts to an average of **727 866 kg** per day, or **~189%** compared with the same week in June 2020 (**~201%** last week). In terms of monthly comparisons, the international aviation industry's operating capacity levels are **~197%** that last year. Compared to pre-COVID-19 times, the level is currently at **~82%** compared with 2019, once again reflecting the lack of belly-hold capacity presently experienced, both locally and internationally.

The following figure shows monthly international freight movement at ORTIA during the state of disaster, with volumes generally trending way above the number registered at the same time last year, hardly surprising in terms of the stringent lockdown regimes in place a year ago.

Figure 7 – International inbound and outbound cargo from OR Tambo (thousands)



Courtesy of ACOC. Updated: 05/07/2021.

[11] Note, when including statistics from South Africa's other two international airports, Cape Town International and King Shaka (Durban) International airports, the total figure rises to **91 842 kg** per day.

b. Domestic air cargo

The following table shows the domestic inbound and outbound air cargo flows for the duration of the lockdown period as reported by the industry. By way of comparison, the average domestic air freight cargo (inbound and outbound) for ORTIA handled in *June 2020* was only **~10 743 kg**[12] per day. Still, as mentioned in other areas of this report, that is not really a meaningful comparison.

Table 5 – Total domestic inbound and outbound cargo

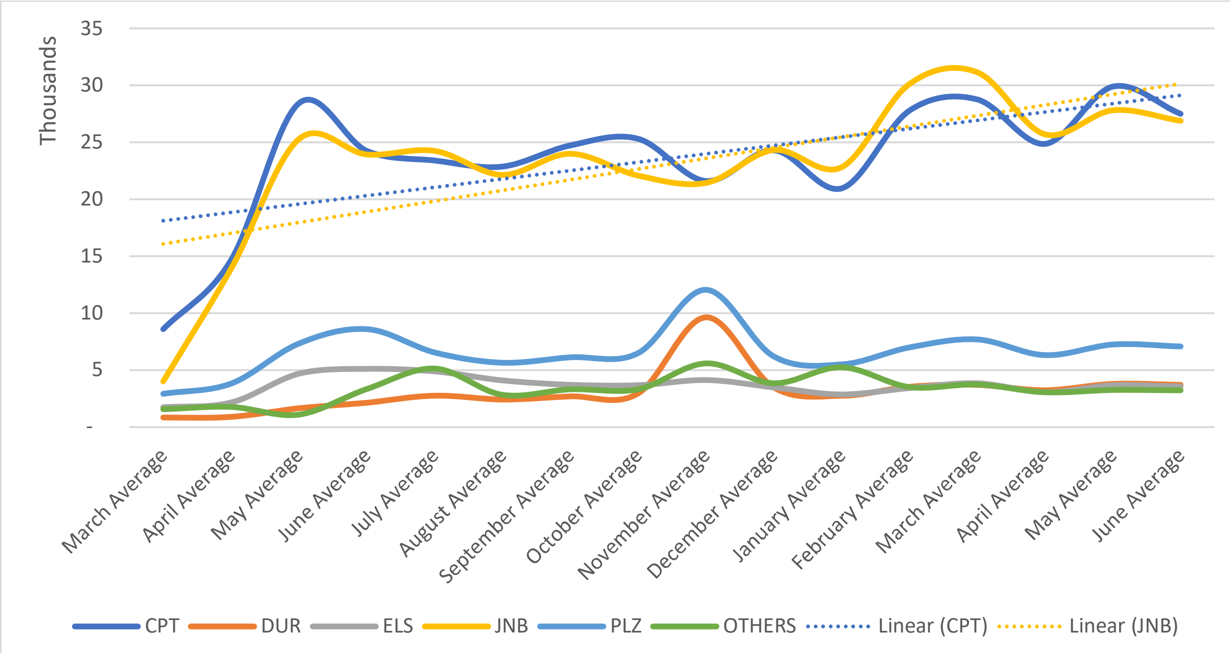
DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
Mar-Dec '20 Av.	**21 813**	**2 941**	**3 751**	**20 539**	**6 571**	**3 176**	**56 713**
Jan Average	**20 961**	**2 739**	**2 859**	**22 818**	**5 491**	**5 238**	**57 781**
Feb Average	**27 777**	**3 537**	**3 427**	**30 117**	**6 988**	**3 503**	**75 348**
Mar Average	**28 781**	**3 702**	**3 845**	**31 166**	**7 680**	**3 740**	**78 914**
Apr Average	**24 875**	**3 234**	**3 058**	**25 694**	**6 306**	**3 046**	**66 213**
May Average	**29 891**	**3 781**	**3 669**	**27 817**	**7 245**	**3 261**	**75 664**
Jun Average	**27 498**	**3 706**	**3 556**	**26 873**	**7 086**	**3 213**	**71 932**
26-Jun-21	1 913	1 331	21	1 490	191	21	**4 967**
27-Jun-21	2 324	176	88	1 273	195	985	**5 041**
28-Jun-21	46 856	3 486	5 683	44 427	9 575	5 210	**115 236**
29-Jun-21	42 589	4 430	6 778	41 385	10 787	4 213	**110 182**
30-Jun-21	38 608	4 164	4 731	27 633	10 336	5 043	**90 515**
01-Jul-21	40 254	4 649	6 049	29 929	13 265	4 841	**98 987**
02-Jul-21	18 391	3 432	2 556	25 866	4 698	2 972	**57 916**
03-Jul-21	2 331	863	40	1 768	242	78	**5 321**
04-Jul-21	1 809	340	32	732	110	734	**3 756**
05-Jul-21	42 291	3 263	6 273	20 761	10 568	4 417	**87 572**
Y-T-D Totals	**4 922 659**	**636 648**	**630 873**	**5 035 155**	**1 259 215**	**606 232**	**13 090 783**

Courtesy of BAC. Updated: 07/07/2021.

Currently, the average domestic air cargo moved in the last week was **~64 893 kg** per day, which is **↓7%** compared with the previous week. Moreover, the volume handled amounts to approximately **~97%** compared to the same week in 2020. The following figure shows monthly domestic freight movement at our commercial airports during the state of disaster, with healthy volumes registered since the turn of the year.

[12] For Cape Town, the figure corresponds to **13 257 kg** per day, and **3 609 kg** per day for Durban during the same period (June 2020).

Figure 8 – Average domestic inbound and outbound cargo (thousands)



Courtesy of BAC. Updated: 07/07/2021.

c. Summary of air cargo operations

Besides the numbers reported above, the following section provides an update on some of the recent developments occurring in the aviation industry this week. These developments have centred around **(i)** cargo security matters, **(ii)** inefficiencies with the SOPs, and **(iii)** implementation of the IVS system.

i. Cargo security matters

The question around ACSA (Airports Company South Africa) presiding over cargo security within the designated cargo precinct is yet to be resolved. During the week, further complaints and frustrations were expressed by cargo clients not gaining access. Although ACSA has acknowledged receipt of a letter issued by SAAFF on 25 June, no concrete solution has been forthcoming. The private sector is constantly reminded of the work being done in the midfield area, but this is a future dream in the industry's view. In the meantime, the same old infrastructural challenges that make access difficult unfortunately persist.

ii. Inefficiencies with the SOPs

Further industry complaints have been reported regarding the delay in finalising the updated SOPs. These revolve around the functioning of pre-alert notifications. Because this is not working, the industry has had to divert staff to manage the added process requirement in the SOP on a daily basis. Again, this is not working; it is open to subjective interpretation, and there is consequently a lack of consistency in implementation. The industry has also made numerous suggestions regarding changes to the SOP – none of them has been considered yet.

iii. Implementation of the IVS system

Developments regarding the return of the IVS system are also continuing, with stakeholders remaining hopeful of a swift resolution. However, ACSA has responded by stating that an NDA between ACSA, IVS, and Mobeni first needs to be signed to "*enable the integration of information into the ACSA access control system for verification*" before implementation of the IVS system can be finalised.

To put this bluntly, the result has been utter exasperation. The extended supply chain industry in South Africa appeals to ACSA to treat these matters with the urgency they deserve, as improved efficiencies are in the interest of all stakeholders operating within the air cargo industry, both public and private. The situation as it stands can only lead to delays and additional costs for cargo owners, which will inevitably be passed on to consumers, who can ill afford any additional cost burdens.

3. Regional Update

a. South African border closures

The ongoing situation with several border closures continues to hamper cross-border regional trade. The closures have particularly hit Kopfontein, Skilpadshek and Oshoek in recent weeks. As noted in previous iterations, Port Health officials' availability remaining sporadic and unreliable – an issue yet to be resolved. SARS Customs has attempted to clarify the status of various affected border posts, as per the table below:

Table 6 – South African border closures

Date	Border
8 July 2021	Skilpadshek will reopen on 9 July from 6:00 – 18:00.
7 July 2021	Kopfontein will reopen at 15:00.
	Kopfontein is closed until further notice.
6 July 2021	Jeppes Reef temporarily closed until further notice.
	Skilpadshek remains closed until further notice.
4 July 2021	Groblersbridge will be closed on 5 July 2021, from 06:00 – 10:00.
3 July 2021	Oshoek closed at 19:00 and will reopen on 4 July at 07:00.
	Skilpadshek border post will be closed until further notice.

Source: SARS. Updated: 09/07/2021.

Traders are urged to stay abreast of border post communications on the SARS Customs and Excise website. Still, it must be said that this situation only exacerbates the precarious position of the road freight industry.

b. Cross-border delays

The following significant events have caused cross-border delays in the SADC region this week:

- Last week saw tensions continue in eSwatini, with many drivers being told to exercise caution in the CBDs of Mbabane and Manzini as instances of violence had been reported. Consequently, there were regular border closures at Oshoek. Fortunately, it seems that tensions have eased to some extent, so the trade lanes into eSwatini have been restored for the moment.
- Ongoing issues at Beit Bridge are causing significant delays. A contributory cause of the delays is that Zimbabwean President Mnangagwa Announced Level 4 Lockdown Regulations last week.
- As noted above, shortages of Port Health staff continue to cause delays at multiple border posts around the country.

Apart from these regressive developments, investigations continue into cross-border delays experienced at several SADC border posts in the sub-region. The following table uses geofencing data to summarise delays experienced at various borders during the last week.

Table 7 – Delays[13] summary – Selected SADC borders

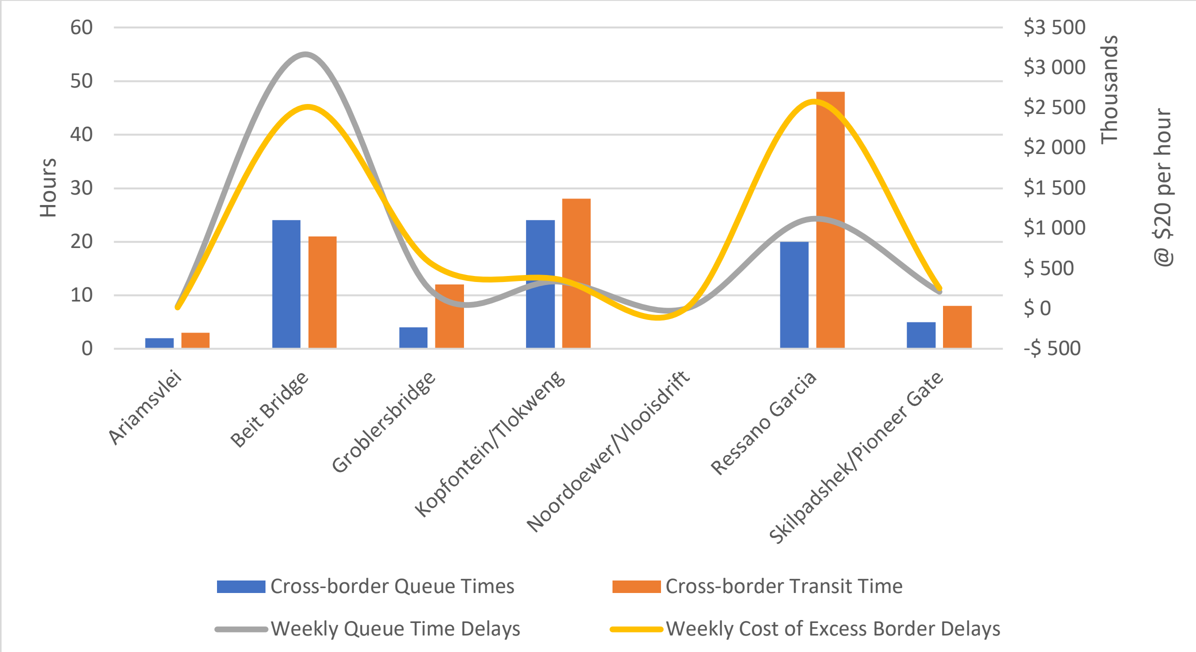
Countries	Border	Queue Time (hh:mm)	Border Time (hh:mm)	HGV Arrivals per day	HGV Tonnage per day	Weekly HGV Arrivals	HGV Delay Hours	Queue Time Delays
Nam/SA	**Ariamsvlei/Nakop**	2:00	3:00	3 000	21 000	700	700	1 400
SA/Zim	**Beit Bridge**	24:00	21:00	28 290	198 030	6 601	125 419	158 424
Moz/Zam	**Cassacatiza/Mlolo**	1:00	26:00	1 800	12 600	420	10 080	420
Zam/Zim	**Chirundu**	0:00	25:00	18 480	129 360	4 312	99 176	0
Moz/Mal	**Dedza**	2:00	10:00	1 500	10 500	350	2 800	700
SA/Bot	**Groblersbrug/Martins Drift**	4:00	12:00	12 000	84 000	2 800	28 000	11 200
Zam/DRC	**Kasumbalesa**	0:00	6:00	17 760	124 320	4 144	165 760	0
Zam/Bot	**Kazungula**	0:00	29:00	6 360	44 520	1 484	40 068	0
SA/Bot	**Kopfontein/Tlokweng**	24:00	28:00	3 000	21 000	700	18 200	16 800
Moz/Zim	**Machipanda/Forbes**	1:00	7:00	9 600	67 200	2 240	11 200	2 240
Moz/Mal	**Milange**	0:00	1:00	1 200	8 400	280	0	0
Moz/Mal	**Nakonde/Tunduma**		8:00	15 000	105 000	3 500	21 000	0
Nam/SA	**Noordoewer/Vlooisdrift**	0:00	0:00	0	0	0	0	0
Zim/Moz	**Nyamapanda**	1:00	12:00	3 000	21 000	700	7 000	700
SA/Moz	**Ressano Garcia**	20:00	48:00	12 000	84 000	2 800	128 800	56 000
SA/Bot	**Skilpadshek/Pioneer Gate**	5:00	8:00	9 000	63 000	2 100	12 600	10 500
Nam/Bot	**Trans Kalahari/Mamuno**		0:00	0	0	0	0	0
Zam/Zim	**Victoria Falls**	1:00	7:00	3 420	23 940	798		798
Moz/Mal	**Zobue/Mwanza**	2:00	13:00	3 000	21 000	700	7 700	1 400
				4 947	**148 410**	**1 038 870**	**34 629**	**678 503**

Source: TLC & FESARTA, week ending 05/07/2021.

The following graph shows the weekly change in cross-border times (and associated cost) from South Africa's perspective. For the week, there were some notable improvements in transit times at Ariamsvlei, with Ressano Garcia (Lebombo) unfortunately heading in the opposite direction. Concerning queue times, both Kopfontein and Ressano Garcia (Lebombo) experienced some queuing delays for the week. Although not as bad as some previous weeks, ongoing issues at Beit Bridge remain a concern for the week.

[13] It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border constraint since we do not have a transparent view of the entire border process in granular detail. The causes of these bottlenecks typically include poor infrastructure, road congestion, and a lack of coordination between neighbouring countries and Customs (or OGA) stops, among other trade obstacles.

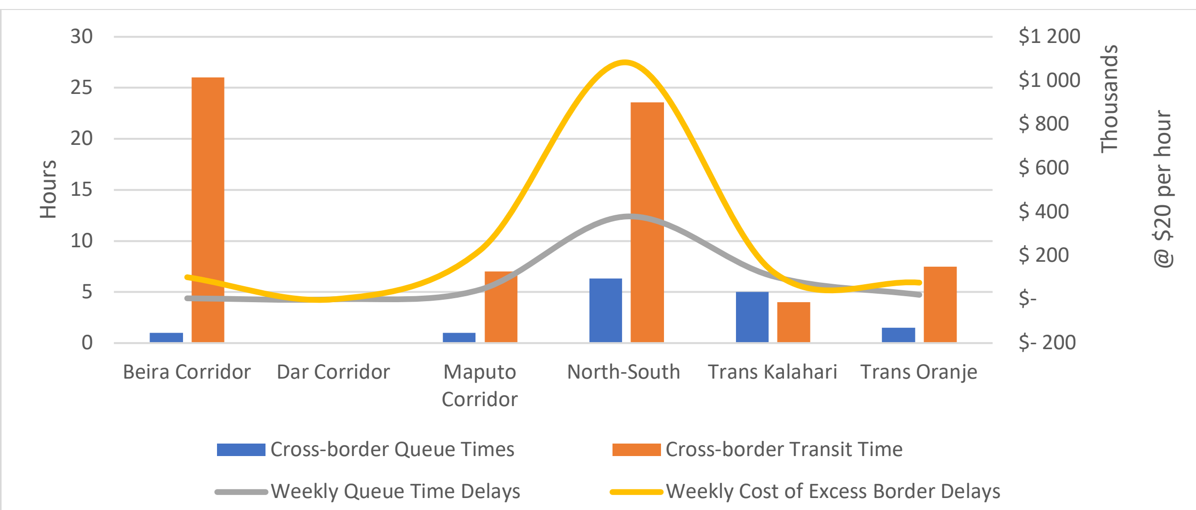
Figure 9 – Weekly cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in US$ thousands)



Source: TLC & FESARTA, week ending 05/07/2021.

The following figure illustrates a similar picture to those above, this time from a corridor perspective.

Figure 10 – Weekly cross-border delays and estimated cost from a corridor perspective (delay in hours; cost in US$ thousands)



Source: TLC & FESARTA, week ending 05/07/2021.

Due to the problems at Beit Bridge, the North-South corridor continued to experience some increases in time and cost to trade. This week's other significant changes include improving Trans Oranje transit times, with substantial improvements in transit and queue times also experienced across the Trans Kalahari corridor.

In summary, the cross-border queue time has averaged **~5,1** hours (slightly slower than the experience last week at **~4,5** hours) and cost the transport industry an estimated **$5,21 million** (**R83 million**). Fortunately, the average cross-border transit time has decreased to **~16,3 hours** (notably lower than last week's experience at **~18,7** hours), costing the transport industry **~$13,5 million** (**R217 million**). Therefore, the total cost for the week amounts to **~R301 million** (up by **~R8 million** from **R293 million** the previous week).

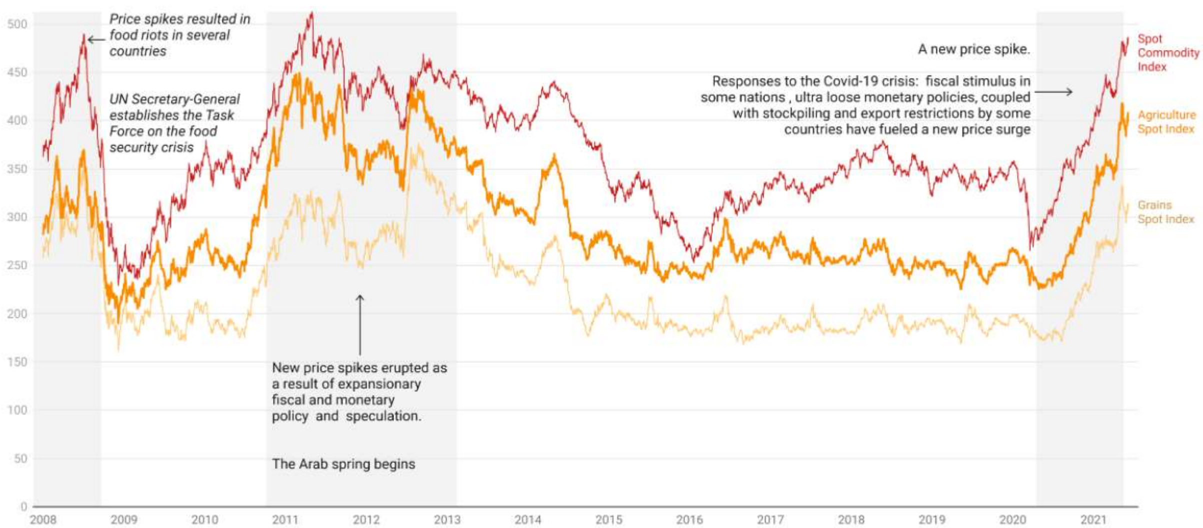
4. International Update

The following section provides some context of the global economy and the impact of COVID-19 on trade. In addition, the section includes an update on **(a)** global commodity prices and food security, **(b)** global container industry and the **(c)** global aviation industry.

a. Global commodity prices and food security

On Wednesday, 7 July, UNCTAD released a report on trade and food security[14], noting the exponential rise in food prices since the pandemic's start. Moreover, UNCTAD states that food prices are climbing dangerously close to heights similar to those that have sparked food crises and riots in many parts of the world during the last two decades. The following figure illustrates the alarming rise in commodity indices recently experienced, adding some commentary on the causes of these spikes.

Figure 11 – World commodity and food prices dynamics, January 2008 - June 2021

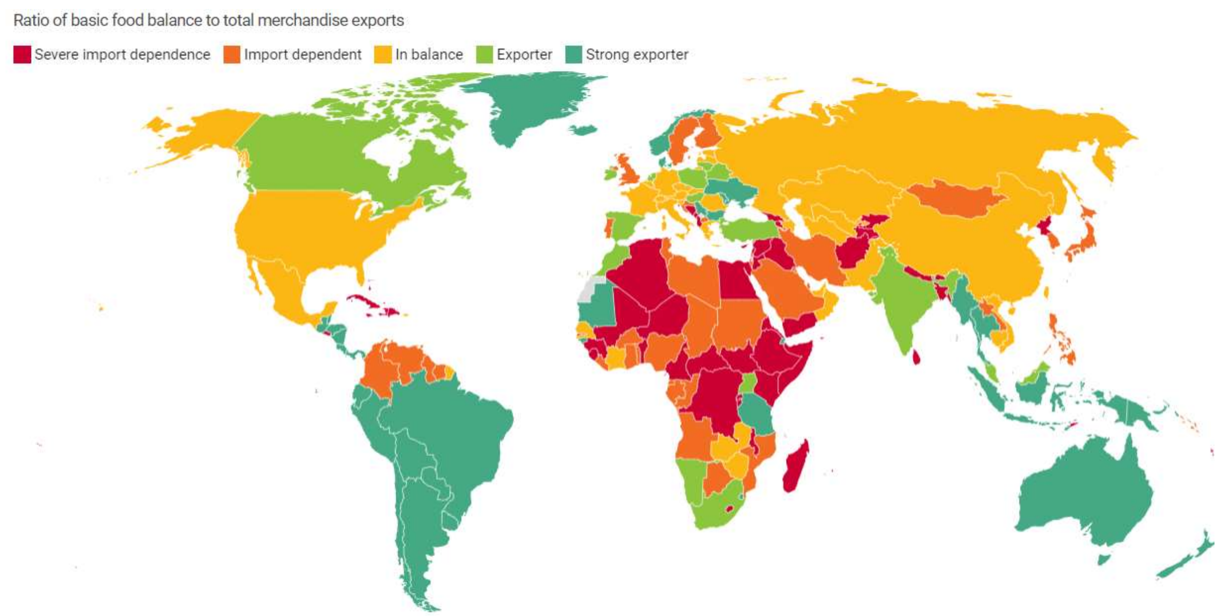


Source: UNCTAD, based on data from Thomson Reuters (Bloomberg Commodity Index)

As illustrated, the recent spike is similar to the one experienced a decade ago. The indicators are disturbing since the value of food imports has tripled since the beginning of the century, meaning that approximately **80%** of the world's population is fed partly by imports. Although the expansion of global trade has helped move food from where it can be produced to where it is needed, the change has put pressure on some. Countries which have increased their specialisation in export crops at the expense of staple foods for domestic consumption are particularly vulnerable. This phenomenon is evident in Sub-Saharan African countries. Consequently, as the following figure illustrates, these countries have become net importers of the staple foods on which their people rely for their basic nutrition, resulting in feeding vulnerabilities and deficits, together with an unhealthy dependence on international trade for essential nutrition.

[14] UNCTAD, 07/07/2021. Trade and food security: When an agreement delayed becomes a human right denied.

Figure 12 – Trade dependence for basic food



Source: UNCTAD

As mentioned above and shown in the graphic, countries in Africa are particularly vulnerable, as most nations are either crucially or at least significantly import-dependent. There are a few exceptions to the rule, such as South Africa and Namibia. The reliance on trade for essential foods has shed important light on the need for countries to trade in a fair agricultural system and the need for global cooperation. As such, an agreement on agriculture was reached under World Trade Organization (WTO) in 1995. However, the success of this system has been mixed for two main reasons. Firstly, the nature and level of enforceability of some of the clauses are questionable. Secondly, most developing countries lack the fiscal capacity to use such provisions effectively.

Furthermore, UNCTAD cautions that food security cannot be ensured by trade policy alone. Conflict and war, weather extremes and economic shocks, including those induced by COVID-19, are primary drivers of insecurity. So, although trade policy cannot provide a complete solution, it can help improve food security.

b. Global container industry

i. World container index

As has been the case for the last two months, there has been another surge in weekly container freight rates this week, as the "*World Container Index*" (WCI) increased by another **↑4,7%** to **$8 796** per 40-ft container[15] this week. This change emphasises the bonanza year in earnings and profits reported by the major carriers in the last financial year. Although this scenario certainly paints a rosy picture for shipping lines, the constant upward surge in rates makes it clear that container imbalances (and equipment shortages), poor efficiency, and port congestion can be expected to remain the reality until the end of the year. Furthermore, current inventory levels (especially in the retail and food sectors) are widely depleted due to the ongoing demand surge not being balanced by available capacity. And all of this is taking place as the cargo industry moves into what is traditionally its busiest stage of the year. As far as prices go, the following figure highlights the extraordinary rise in the two-year spot price of the index.

[15] Drewry Supply Chain Advisors. 08/07/2021. World Container Index.

Figure 13 – World Container Index – Assessed by Drewry ($ per 40 ft. container)

Source: [Drewry Ports and Terminal insights]

The average composite index now stands at **$5 760** per 40-ft container, **$3 716** higher than the five-year average of **$2 044** per 40ft container (up by **$29** since last week). This week, freight rates surged on seven of the eight major transpacific lanes, with freight rates from Shanghai – Genoa and Shanghai – Rotterdam increasing **$852** to **$592** to reach **$12 626** and **$12 795** per FEU, respectively. Shockingly, this correlates into a y/y change of 514% and 596% for traders and shippers alike. Moreover, Drewry expects rates to increase further in the coming weeks (even getting close to **$20 000** on some lanes[16]) as imbalances, berth delays, and schedule unreliability persist, as discussed in the following sections. The ocean carriers will not be slow to take advantage, and opposition to this tendency can be clearly seen in President Joe Biden's instruction to the competition authorities in the USA to take some action in this regard.

ii. Liner schedule reliability

For the best part of the last 18 months, a recurrent theme has been the fluctuating availability of containers throughout the maritime industry, with container imbalances seriously impacting global schedule reliability and causing berthing delays. Of course, it is true that sailing schedules cannot be relied upon if ports are congested. Still, port efficiency cannot improve if vessels "bunch" together, arrive outside the planned terminal windows, or divert from nearby congested ports[17]. The following side-by-side figures highlight our current plight, showing that schedule reliability has been abnormally low for this time of the year, which has resulted in significant delays for vessels arriving outside their scheduled windows.

[16] Drewry. 05/07/2021. Extreme spot rates heading for $20 000.
[17] Drewry. 05/07/2021. Maritime supply chains stuck in a catch-22.

Figure 14 – Global schedule reliability (left) and average delays for late vessel arrivals (right)

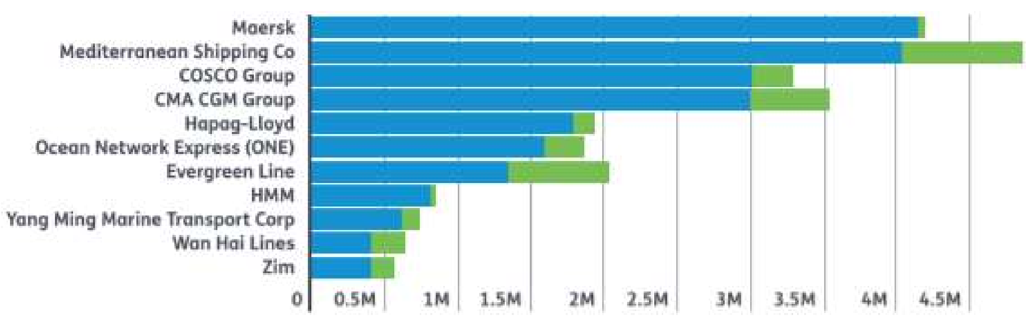
Source: [Sea-Intelligence (GLP report issue 118)]

Sea-Intelligence reports that in May 2021, schedule reliability declined by **↓0,2%** m/m to **38.8%**. On a y/y level, schedule reliability was down a massive **↓36%**. The average delay for late vessel arrivals, on the other hand, had been improving since March 2021. In May 2021, however, the average delay increased slightly by **0,05 days** to **5,86 days**. The level of delays in 2021 has been the highest across each month compared to the previous years. Some of these delays have put pressure on the overall schedules of the major carriers. Consequently, the inevitable has occurred, with 'blank sailings', which have become much more commonplace since the pandemic hit the world. As such, across the major trades (Transpacific, Transatlantic and Asia-North Europe and the Mediterranean), 23 cancelled sailings have been announced between weeks 27 and 30, out of a total of 500 scheduled sailings, representing a **5%** cancellation rate[18].

iii. Container capacity and operating fleet

Despite desperate attempts by the shipping lines to augment their container inventories, equipment remains in short supply. Carriers have added at least **1 million TEU** to their box fleets. Still, more containers are needed for every extra day when a container is kept waiting outside a port, on a dock or in a distribution yard. For a large carrier, every day's delay can equate to needing an extra **35 000 containers**[19]. Lloyd's notes that despite suggestions that capacity is being managed to maintain freight rates, carriers themselves are paying over the odds to put on every available ship in the market. The following image shows the fleet capacity and order book of the major carriers worldwide.

Figure 15 – Container shipping operating fleet by TEU, current (blue) and on order (green)



Source: [Lloyd's List, via Alphaliner]

The global container capacity is set to increase, as shown significantly. More than **1,5 million TEU** of new buildings have been booked at shipyards in the first half of this year. Unfortunately, most of that capacity will

[18] Drewry. 02/07/2021. [Cancelled Sailings Tracker].
[19] Lloyd's List. 30/06/2021. [Half year outlooks].

not come into the fleet until 2023, when it may be a very different market. Lloyd's notes that the next six months of 2021 are unlikely to give much relief. Furthermore, this year's traditional peak season will be a continuation of the permanent peak of 2021, and few in the industry see any clear signs of improvement this side of Chinese New Year 2022. The consequences are clear. For shipowners and container lines, that will mean the profits continue to roll in for some time yet. For shippers and cargo owners, it will mean holding on tight as the wild ride continues[20].

iv. Further developments of note

Besides the main factors impacting the global container industry mentioned above, some additional notable developments occurred this week.

1. **The Suez Canal saga has finally ended in a settlement, as the Ever Given sails**
    a. With 106 days passing after becoming wedged across a southern section of the waterway for nearly a week and disrupting global trade, the Ever Given resumed its journey and left the Suez Canal on Wednesday[21].
    b. A compensation claim was reached when an undisclosed settlement between the Suez Canal Authority (SCA) and the Ever Given's owners and insurers was agreed.
    c. The SCA demanded more than $900 million for the salvage operation to free the Ever Given and other losses but later lowered the amount to $550 million. It is rumoured that the final settlement was in the order of $350 million.
2. **Large explosion and fire on containership at Jebel Ali port**
    a. Reports suggest that the explosion and subsequent fire on board a containership anchored at the quayside in Jebel Ali was caused by a container load of fireworks, with initial industry fears of another X-Press Pearl[22]. Fortunately, the fire has been primarily contained, according to authorities in Dubai[23]. Luckily, no casualties have been reported.

c. Global aviation industry

This week, the International Air Transport Association (IATA) released its monthly "*Air Cargo Market Analysis*" for May 2021[24], with the headline that air cargo has trended higher and outperformed global goods trade trends once more. The supply chain conditions and economic activity collectively support air cargo, helping it post a fifth consecutive month of overperformance versus global goods trade. The following figure illustrates this comparison.

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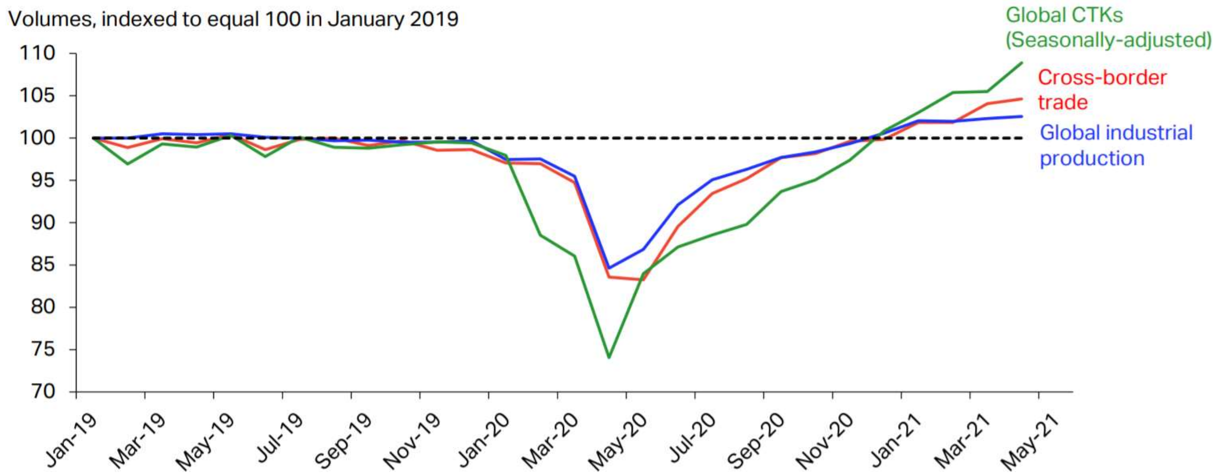
[20] Lloyd's List. 30/06/2021. Half year outlooks.
[21] Ebrahim, N. 07/06/2021. Ever Given container ship leaves Suez Canal 106 days after getting stuck.
[22] Savvides, N. 08/07/2021. Fireworks in container may have caused explosion and fire on ship in Jebel Ali.
[23] Walia, I. 08/07/2021. Large explosion and fire on containership at Jebel Ali port.
[24] IATA, 27/06/2021. Airlines Financial Monitor.

Figure 16 – Growth performance of CTKs versus total goods trade and global industrial production



Source: [IATA Economics]

IATA notes that May was another month of solid air cargo performance, but a moderate slowdown was apparent in the pace of growth. Indeed, industry-wide cargo tonne-kilometres (CTKs) increased by **9,4%** in May 2021 versus pre-crisis levels in May 2019. However, this change was down from **11.3%** in April 2021 versus 2019. Moreover, seasonally adjusted CTKs – which smooth out seasonal variations in volumes – rose by **0,4%** month-on-month in May. Thus, the performance is the 13th consecutive month of increasing levels, but it marks a slowdown from the **3,2%** gain seen in April.

Furthermore, the growth was evenly distributed amongst regions, as all but Latin America contributed positively to the headline growth rate of **9,4%**. In contrast to the ocean freight industry, air cargo becomes attractive when businesses have low inventories and face rising demand as the economy restarts. In that case, the speed of air cargo provides a strong competitive advantage.

Finally, air cargo load factors continue to trend far above their pre-pandemic levels in terms of capacity. In May 2021, the industry-wide cargo load factor was at **57,2%**, which is **↑10%** compared to May 2019. For Africa, the cargo load factor in May was **50,5%**, compared to the **40,7%** registered in May 2019. Looking ahead, the market remains tight, with no apparent decline in cargo load factors. Fortunately, international and domestic travel demand showed marginal m/m improvements in May 2021, which might aid the cargo load factors in the coming months.